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National Intelligence Bulletin

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National Intelligence Bulletin

April 9, 1976

CONTENTS

ITALY: Early elections likely 3

CYPRUS: Clerides' resignation may
spark more demonstrations 6

UK: New cabinet likely to
continue Wilson's policies 8

WEST GERMANY: Bonn says no to
export of Alpha Jet to Egypt 9

TURKEY: Military leaders
dissatisfied with General Sancar 10

EC - SOUTHERN AFRICA: Increased
Community aid to Zambia and Zaire 11

RHODESIA: Soviet, Chinese, and
Cuban aid to insurgents 12

ABU DHABI: Investment in the US 13

USSR-CHINA: Initial Soviet
reaction to Teng's ouster 16

FOR THE RECORD 17

25X1

Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010016-5

Next 2 Page(s) In Document Exempt

Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010016-5

National Intelligence Bulletin

April 9, 1976

ITALY

Italy is apparently moving closer to an early parliamentary election after consultations this week between Socialist chief De Martino and other political leaders. Elections would offer the Communists a chance to repeat the unprecedented gains they scored in local elections last summer. The only major factor militating against an election is the reluctance of the Socialists to topple the Moro government on their own. They fear this would open them to blame from the other parties for any negative repercussions, such as another sharp deterioration of the lira.

After their defeat by the Christian Democrats on the abortion issue in parliament last week, the Socialists launched a campaign to enlist other parties in an effort to topple Moro's minority government. They maintain that the government is too weak to deal with the country's growing problems. According to Socialist leaders, the only alternatives are an election that might clarify the political situation or formation of a broadly based emergency government that would involve the Communist Party in the formulation of an economic program.

De Martino tried this week to rally political leaders around one of these options. The Socialists have received little encouragement from other politicians.

Communist chief Berlinguer wants additional time to consolidate his party's gains at the local level, and he apparently tried to talk De Martino out of doing anything that could trigger an election. Following the Berlinguer - De Martino talks, however, the Communist directorate issued an appeal for an emergency "political agreement" among all parties except the neo-fascists. This is a more sweeping proposal than the emergency arrangement suggested by De Martino. The Communist document looks more like an electoral platform than a serious negotiating proposal and suggests that the Communists may be resigned to early elections.

The Christian Democrats, burdened with internal divisions, are resisting precipitate changes in the political situation. They say they are opposed to early elections, and yesterday they rejected the Communist proposal for an emergency government.

The Christian Democrats want to make sure that, if the government collapses, the Socialists will get all the blame.

The Socialists have maneuvered themselves into a corner and will find it difficult to back down on their threat to topple the government. If Moro falls, another stopgap solution may be attempted. The fragmented state of Italian politics, however, suggests that early elections are more likely now than at any time since the present parliament was installed in 1972.

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Next 1 Page(s) In Document Exempt

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National Intelligence Bulletin

April 9, 1976

CYPRUS

Greek Cypriot negotiator Clerides' resignation in disgrace yesterday, combined with growing rancor over the US-Turkish defense agreement, has left moderate forces in disarray and given the initiative to the more intransigent leaders.



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The US defense attache, however, received the impression from the commander of the Cypriot National Guard that his troops will be available to assist the police. The protection effort, however, ultimately depends on President Makarios. His government has been able to control demonstrations in the past, when it has suited his purposes.

The ascendancy of more uncompromising elements in the Greek Cypriot community in the wake of the forced resignation of Clerides also spells serious trouble for efforts to reach a Cyprus settlement with the Turks. Clerides' supporters joined hardliners in demanding his resignation after he admitted making a secret agreement with Turkish Cypriot negotiator Denktash.

The agreement concerned only an exchange of settlement proposals—Clerides was to give Denktash ten days' notice of the Greek position so he could formulate a reply—but he failed to inform even Makarios. Those who have opposed Clerides' conciliatory negotiating tactics, in the absence of reciprocal gestures by the Turkish Cypriots, were quick to cry betrayal and to speculate aloud about other secret agreements he may have made.

Tassos Papadopoulos, deputy president of the House of Representatives and co-leader with Clerides of the center-right Unified Party, will replace Clerides as negotiator. He is closer to Makarios and will be more responsive to him. He is not an extremist, however.

The Turks probably see this as a golden opportunity to continue stalling in the talks and to place the blame on the Greeks. Turkish Cypriot negotiator Denktash actually contributed to Clerides' downfall by leaking the fact that Clerides secretly conveyed to him an advance copy of the Greek Cypriot proposals. He claimed he was suspicious that the Greek Cypriots' formal proposal would not contain the same provisions as the version given to him in advance by Clerides.

25X1

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National Intelligence Bulletin

April 9, 1976

Denktash has given no indication that he will break off the talks and has even promised to respond to at least some of the Greek Cypriot proposals he received earlier in the week. He insists, however, that the talks must now start from the beginning. He has indicated that he will not negotiate personally with Papadopoulos, but will name one of his subordinates to carry on in his stead.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010016-5

25X1

National Intelligence Bulletin

April 9, 1976

UK

Prime Minister Callaghan's new cabinet, announced yesterday, includes many familiar faces and a sprinkling of new ones. It is not likely to change significantly the policies of the Wilson government.

Some key ministers from the prior cabinet will hold different portfolios. Chancellor of the Exchequer Denis Healey—the symbol of the government's economic recovery program—and Defense Minister Roy Mason retain their posts.

Anthony Crosland, who succeeds Callaghan as foreign secretary, is from the center of the party; Callaghan's pragmatic approach and pro-American outlook are likely to continue.

Albert Booth, a left-winger, replaces Michael Foot as employment minister. Booth has a trade union background and should be acceptable to the Trades Union Congress.

Michael Foot, another member of the party's left wing, performed impressively in the leadership race and will become the Leader of the House of Commons, the government's business manager in Parliament. His high standing with the Labor Party's left wing may help keep rebellious leftists in line on controversial parliamentary votes. Foot's first major test will occur when Parliament votes on the budget, probably sometime next week.

Foot will have his work cut out for him. Labor lost its majority in Commons this week as a result of the death of one member and the resignation of another.

The opposition is so fragmented, however, it will probably be unable to pose an early challenge to Callaghan. In addition, the government will continue to have support from minor parties and independents on many issues.

In theory, Labor's loss of its overall majority deprives the government of the right to a majority on parliamentary committees, thus giving the opposition the opportunity to delay important pieces of government legislation. The government may be able to circumvent this by manipulating parliamentary rules and engaging in political horse trading.

25X1

National Intelligence Bulletin

April 9, 1976

WEST GERMANY

Chancellor Schmidt has turned down a French-Egyptian request to export 120 Alpha Jets to Egypt, according to an official in the West German Foreign Office.

Press reports from Bonn during Egyptian President Sadat's recent visit had speculated that Bonn would permit the sale of the aircraft—a joint French-West German venture. Although the French may still consider establishing a complete production line in order to export unilaterally, the economics of such a step are uncertain.

The Alpha Jet is being developed as a trainer for the French air force and as a ground-attack aircraft for West Germany. Although France's Dassault-Breguet will be the primary contractor, West Germany's Dormier will produce substantial parts of the aircraft.

The West German government has been under some domestic pressure to relax its stringent controls on arms exports to non-NATO countries, but Schmidt has been unwilling to export arms to areas where there is a threat of war. The West Germans are particularly reluctant to do anything that would adversely affect their special relationship with Israel.

The French-Egyptian request for export of the aircraft said only trainers would be sent to Egypt. The West Germans, however, reportedly considered this a subterfuge, since it is relatively easy to add weapons to the aircraft.

Before the French sales pitch to Egypt last year, Cairo appeared close to concluding a deal with the British for the Hawk advanced jet trainer. West Germany's refusal to allow the sale of the Alpha Jet makes the Hawk a likely choice for Egypt. The Hawk not only is an excellent trainer but also has good ground-attack capabilities.

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25X1

National Intelligence Bulletin

April 9, 1976

TURKEY

Recent personnel shifts among senior military officers have reportedly generated criticism of General Sancar, chief of the Turkish General Staff, among some top military leaders.

These generals are said to be critical of Sancar because of:

--His handling of the Lockheed bribes investigation of General Alpkaya, former commander of the Turkish air force. Sancar ordered Alpkaya out of Ankara so that the commander's offices could be searched.

--His failure to push through the appointment of a new air force commander. General Ozaydinli, the next senior air force officer, has been nominated for the top position. Prime Minister Demirel and National Salvation Party leader Erbakan oppose Ozaydinli and have not yet confirmed his appointment. Other military officers consider this delay unwarranted political interference in military affairs.

--His machinations in the selection of a new army commander. Taking advantage of the Turkish army's strict up-or-out policy, Sancar has apparently succeeded in forcing the retirement of Aegean army commander Turktut Sunalp—whose politics did not please Sancar—by denying him the top army post. General Namik Ersun—although ill—will reportedly hold the job in an acting capacity until next fall, when Sancar will move his own choice, General Esroz, into the top army slot.

Part of the controversy between Sancar and some of his subordinates reflects differing philosophies over the military's role in Turkish society. Many officers, among them, Sunalp, Ozaydinli, and Ersun, favor an activist military establishment willing to inject itself into political and other nonmilitary areas. Sancar leads the group that opposes military interference in government affairs except as a last resort.

Barring a significant deterioration in the situation in Turkey, Sancar's noninterventionist concept should prevail at the senior levels of the military until he reaches mandatory retirement in 1977. At that time, he probably hopes to have his protege Esroz, who is of like mind, in a position to take over as chief of the General Staff.

National Intelligence Bulletin

April 9, 1976

EC - SOUTHERN AFRICA

The EC foreign ministers agreed this week to provide Zambia and Zaire with over \$27 million in Community funds to help cover losses incurred during the Angolan civil war. This action is part of a larger EC effort to support black governments in southern Africa and to provide them with a "viable and effective" alternative to the aid being provided by the Soviet Union and Cuba.

The Nine, led by West Germany and the UK, had already earmarked over \$100 million in new bilateral aid to Zambia, Zaire, and Mozambique. The EC is now sending emergency food aid to Zaire and Angola, and it is considering additional humanitarian relief for Mozambique to alleviate problems caused by heavy flooding and the closing of the Rhodesian border. EC assistance is also being considered for Malawi, which faces higher import costs because of the border closing.

EC members hope to complement these efforts with a major aid commitment to Angola. The Luanda government, however, has yet to ask for bilateral assistance or to signal its intention to join the Lome Convention. It links the Nine with 46—primarily African—developing states in a comprehensive trade and aid accord. Mozambique has not applied for Lome membership either, but EC officials expect it to do so shortly and hope this will ease the way for a subsequent application by Angola. [REDACTED]

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National Intelligence Bulletin

April 9, 1976

RHODESIA

Continued Soviet, Chinese, and Cuban interest in the Rhodesian insurgency is reflected in the arrival of arms and personnel in neighboring African countries to support the insurgent groups.

On March 25, 18 Soviet military personnel reportedly arrived in Mozambique to be assigned to training centers for the Rhodesian insurgents. Previously, there were approximately 25 Soviet advisers assisting Frelimo forces in Mozambique. This is the first firm information on Soviet personnel directly assisting the Rhodesian nationalists.

Some Soviet arms continue to be funneled through other neighboring African countries as well. [REDACTED]

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Since March, the Chinese have reportedly added 18 military advisers to the 13 already providing training to the Rhodesian nationalists in Tanzania. The number of Cuban personnel presumed to be serving as advisers to the Rhodesian nationalists is apparently gradually increasing, but there are probably still less than 100 in Mozambique.

Tanzania is apparently stepping up its support to the Rhodesian insurgents. In March, Tanzania sent a 60-man military force, mostly officers, to northern Mozambique to train guerrillas. A company of 140 men and 40 support-survey personnel reportedly is to be moved to Mozambique in April to explore the possibility of joint operations into Rhodesia.

While President Nyerere may have contingency plans for an active combat role in Rhodesia, the forces now present are likely to remain in a noncombat role for the near future. The 140-man company is not expected to have training duties, but will probably be assigned to assist Mozambican security forces in maintaining border security while the survey team carries out its mission. [REDACTED]

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National Intelligence Bulletin

April 9, 1976

ABU DHABI

Abu Dhabi's investment in the US totaled at least \$1.2 billion at the end of 1975, up from \$250 million in 1974. Approximately 90 percent was in US corporate securities. The US portfolio now accounts for more than 10 percent of Abu Dhabi's foreign assets.

Among OPEC countries, Abu Dhabi has most emphasized long-term investments. Long-term holdings, primarily corporate securities and real estate, account for almost 50 percent of foreign assets. In the past, most of this investment has been in the UK, with a small share in continental Europe and negligible holdings in the US.

In late 1974, Abu Dhabi began to show interest in US corporate debt and equity. The investment plans of several US banking institutions were reviewed, and a special investment account was set up with the London branch of a major New York bank to facilitate corporate investment. The bank chose the specific assets, with Abu Dhabi setting the guidelines on their composition:

- There should be no investment in petroleum-related industries.
- Portfolios should be widely diversified, including blue chip stocks.
- Bond purchases should be limited to issues with double-A ratings or better.
- Commercial real estate would have priority over undeveloped real estate.

Abu Dhabi's share of US corporate securities increased steadily in 1975 at the expense of sterling holdings. By the end of the year, Abu Dhabi's known US holdings consisted of almost \$1.1 billion in corporate securities, \$50 million in short-term bank deposits, and about \$70 million in short-term government securities. Some US corporate securities may also have been purchased through Abu Dhabi's West European portfolio managers.

Investment by Abu Dhabi in the US almost certainly will continue to grow, with emphasis remaining on corporate securities. In recent discussions with US officials, Abu Dhabian Minister of State for Finance and Industry Muhammad al-Habrush stated that the US market offered investment opportunities and security not found elsewhere.

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USSR-CHINA

Soviet propagandists have seized on Vice Premier Teng Hsiao-ping's dismissal and the demonstration on Monday in Tien An Men Square as additional evidence of the intensified political turmoil in Peking.

Some broadcasts proclaim that Monday's demonstration and Teng's subsequent ouster are the most significant events since the Cultural Revolution. They predict that further upheavals are in store because the moderate policies associated with Teng and the late premier Chou En-lai enjoy support from a majority of the Chinese people.

In some of their broadcasts to China, the Soviets seem to be trying to fan Chinese suspicions of Chairman Mao Tse-tung's intentions. One broadcast implies that Teng's dismissal is only the first step and that Mao has additional plans to "brutally persecute" those who oppose him. Another reminds the Chinese that when Mao decides to oust someone, he usually whips up national campaigns in which "hundreds and thousands of innocent people fall victim." A more recent broadcast even implies that Mao was behind the demonstration in Tien An Men Square and used it to bring Teng down.

The propagandists' glee over China's internal disarray should not obscure the misgivings Soviet leaders probably have over the apparent show of leftist strength indicated by Teng's ouster. Since January, when China named Hua Kuo-feng acting premier, the Soviets have portrayed themselves as sympathetic to China's moderates. They hastily rehabilitated Chou, commented approvingly on the policies allegedly associated with him, and have become more outspokenly critical of China's leftists.

Radio Peace and Progress in Mandarin, for example, is currently running a series on Mao's wife, Chiang Ching. It purports to give the Chinese people the details about the life of the "evil woman" who hopes to succeed Mao.

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National Intelligence Bulletin

April 9, 1976

FOR THE RECORD

USSR-CUBA: A Soviet-built Osa-II-class missile attack boat is expected to be delivered to Cuba today, the first to a country in the Western Hemisphere. A Soviet merchant tug has been towing the unit since departing the Black Sea on February 3. The Osa-II is believed to be armed with four 25-nautical mile folding-wing SS-N-2B Styx antiship cruise missiles. Cuba already has the Osa-I, a slightly lighter version with basically the same missile system, and the older and smaller Komar-class missile patrol boat. [REDACTED]

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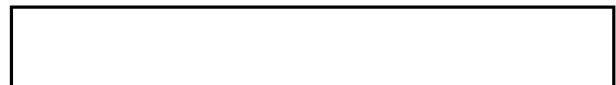
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Top Secret



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